

7/30/99

## PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

### Trade and Sustainable Development

#### *Communication from the United States*

As WTO members prepare to embark on a new round of trade negotiations, these efforts must be guided by our shared commitment to sustainable development, including protection of the environment, which is enshrined in the Preamble of the WTO.

These very first words of the WTO Agreement state:

*“Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means of doing so in a manner consistent with their respective needs and concerns at different levels of economic development.”* (Emphasis added.)

Integrating our commitment to sustainable development into all aspects of the WTO and its future evolution holds a number of important implications for the new round. First, it underlines the importance of institutional reform. We must welcome and be responsive to the growing interest of our publics in the work of the WTO. In this connection, it will be recalled that the United States has already tabled a number of proposals for work in the new round aimed at making the WTO’s operation more efficient, open and transparent to foster public support for trade liberalization and confidence in the WTO. In addition, we have proposed that the WTO must work more closely with other international organizations, including international environmental organizations. In this connection, we particularly welcome ongoing consultations with UNEP on means to strengthen cooperation. Also relevant to this point are the proposals that we have put forward in the ongoing review of the Dispute Settlement Understanding aimed at creating a more transparent and open dispute settlement process.

Second, it means that we must pursue trade liberalization in a way that is supportive of high public health and environmental standards. In our efforts to open markets and develop effective rules to address trade protectionist actions, we must be vigilant not to overshoot the mark and inappropriately constrain the ability of members to pursue other important and legitimate policy goals. This means, for instance, that we must continue to recognize the right of Members to take science based measures to achieve those levels of health, safety and environmental protection that they deem appropriate -- even when such levels of protection are higher than those provided by international standards.

Third, we have a responsibility to identify and pursue opportunities to deliver results in the negotiations that will yield a double dividend of both trade and environmental benefits.

We welcome that a number of proposals have already been tabled by delegations regarding trade and environment-related issues. We are closely examining those proposals and we look forward to engaging on them in the Fall. Also, as we form our views on the volumes of other proposals that have been tabled on issues that are not aimed at trade and environment *per se*, we will be looking at, and consulting with stakeholders about, whether there are environmental implications or other implications related to sustainable development.

With the foregoing in mind, we have several proposals that we would like to put forward to add to the discussion of how best to ensure that the new round contributes to sustainable development.

### **Using the CTE to Promote a Sustainable Round**

#### ***Objective***

To ensure that negotiations contribute to sustainable development, inter alia, by promoting free trade in a manner consistent with and supportive of high environmental standards.

#### ***Proposal***

Ministers call upon the Committee on Trade and Environment, acting within its mandate, to serve as a forum for the identification and discussion of links between elements of the negotiating agenda and the environment and public health. The CTE should look systematically and transparently at all the areas under negotiation on a rolling basis. After an initial run through of all the areas under negotiation, the CTE would continue to look at all of the issues so that the work of the CTE could evolve as the negotiations evolve. The CTE would identify and discuss issues, but not try to reach conclusions or negotiate these issues in the CTE itself. Rather, it would provide a report of its discussions to Members and the relevant negotiating groups. Negotiations on these issues would be the responsibility of the relevant negotiating groups.

At the national level, reviews of the round's potential environmental effects, both positive and negative, are an important means of identifying trade and environment interlinkages. The United States will be performing a written review for the new round, sufficiently early in the process to be taken into account in formulating our national positions, based, among other things, on public input. We would encourage all WTO members to do so and are pleased to note that a number of other members have announced their intention to conduct such reviews. We believe that it would be useful to share the results of these reviews with one another.

### ***Rationale***

The Rio Declaration on Environment and Development and Agenda 21 make clear that trade liberalization, complemented by appropriate environmental policies, can make an important contribution to sustainable development. To achieve this potential in the context of the new round, it is essential that the links between what is under negotiation and the environment and public health be considered throughout the negotiating process. The CTE can play a valuable role in identifying and discussing these links. The CTE has already shown its capability to take on efforts along these lines through its work in analyzing the potential environmental benefits of trade liberalization in various sectors.

Our expectation is that the CTE's efforts would provide important input to deliberations at the national level on positions to be taken in the actual negotiating groups. The CTE's role in identifying issues would not detract from, or interfere with, in any way the responsibilities of negotiating groups for addressing issues that are raised by Members on these or any other issues.

### **Pursuing Win-Win Opportunities**

#### ***Objective***

To contribute to sustainable development by identifying and pursuing areas where trade liberalization holds particular promise for also yielding direct environmental benefits. Thus far, particularly promising areas that have been identified include (1) the elimination of subsidies that contribute to overcapacity in fisheries sector; (2) further reform of agricultural subsidies, including the elimination of export subsidies; and (3) the elimination of restrictions on trade in environmental goods and services. However, this is by no means an exhaustive list. Members should be encouraged to identify and pursue in the new round similar opportunities to achieve a "double dividend".

#### ***Proposal Regarding Fisheries Subsidies***

Ministers call for the articulation of disciplines to eliminate subsidies that contribute to overcapacity in fisheries sector. This work should be carried out in consultation with the Food and Agricultural Organization (FAO).

#### ***Rationale***

Recent studies by both the FAO and the World Bank have highlighted not only the dire condition of global marine resources (according to the FAO 69% of the worlds' fisheries are either fully exploited, over-exploited, depleted or slowly recovering from the effects of over fishing) but also the large scale of government subsidies in this sector (the World Bank reports \$14-\$20 billion annually). One of the unintended consequences of these government subsidies is

an increase in capacity in this sector, which is one of the causes of the depletion of fishery resources.

The subsidies that lead to overcapacity in the fisheries sector are also highly trade distortive; they lead to overproduction, encourage inefficient producers to remain in the market, shift the burden of adjustment in overcapacity situations to foreign suppliers and make it difficult for developing countries to take full economic advantage of the fish in their Exclusive Economic Zone.

Subsidy reform in the fisheries sector offers a prime opportunity for taking action in support of trade liberalization, economic development and resource conservation. In fact, a World Bank study noted that among the benefits of subsidies reform in the fisheries sector would be: the reduction of pressure on fish stocks, the freeing up of fiscal resources for other uses, the enhancement of economic efficiency through the removal of price distortions, and the stimulation of increased trade.

The FAO has already shown leadership in its recently adopted the International Plan of Action for the Management of Fishing Capacity, which calls, *inter alia*, for action to “reduce and eliminate all factors, including subsidies, that contribute directly or indirectly, to the build up of excess fishing capacity...” We believe that it is important that the WTO make a contribution to this important effort. Given the WTO’s substantial expertise is dealing with subsidies-related issues it is clear that the WTO is particularly well positioned to play a leadership role in the elimination of these harmful subsidies. Such work must, of course, take into account the fact that there are also government subsidy programs that have beneficial effects in addressing excess fishing capacity.

In undertaking this proposal for action in the WTO, we will greatly benefit from the fisheries subsidies-related analytical work being undertaken in the OECD and APEC, as well as the analytical and management efforts being undertaken by the FAO.

### ***Proposal Regarding Agricultural Subsidies***

Ministers call for (1) the elimination of agricultural export subsidies and (2) the continued transition from those domestic subsidy programs that encourage degradation of natural resources and distort trade based on the framework set out in the Uruguay Round. The so-called “Green Box” for subsidies that have no or negligible impact on trade should be retained.

### ***Rationale***

In the agriculture sector, there is overwhelming evidence that extensive use of trade distorting subsidies, and other trade distorting practices, have contributed to the overuse of crop production inputs, soil degradation, overgrazing, and other unsustainable practices. This is a

prime example of an area where the work of the WTO can contribute to direct and tangible environmental benefits.

Export subsidies for agricultural products have proven to be particularly pernicious in that they both contribute to environmentally unsustainable patterns of activity in the subsidizing country and undercut the efforts of other countries to pursue more sustainable practices. The harmful environmental and trade distorting impact of export subsidies is clear and well-documented; it is time has come to eliminate them.

Domestic agricultural subsidies can also encourage degradation of natural resources and distort trade. The new round provides an important opportunity to build upon the progress made in the Uruguay Round to transition away from those programs that cause such adverse impacts to those that encourage a more efficient use of renewable and non-renewable natural resources and that do not distort trade.

A important part of the Uruguay Round framework is the green box which consists of domestic supports that have no or negligible trade impact. These supports are also much less likely to result in unsustainable use of the natural resource base. These “green box” measures can be used directly to support environmental objectives, such as soil and water conservation and measures to encourage systems that sequester carbon. The United States strongly supports the maintenance of the green box.

### ***Proposal Regarding Environmental Goods and Services***

Ministers call for the elimination of restrictions on trade in environmental goods and services, noting the contribution that participation in the Accelerated Tariffs Liberalization Initiative would make in this regard.

### ***Rationale***

Providing a free market for environmental goods and services fosters technology transfer, provides access to the latest approaches to pollution prevention and lowers the cost of achieving environmental objectives. We would recall that an UNCTAD experts meeting in July 1998 recognized, in particular, that “environmental services can contribute to improving living conditions, especially for the poorest members of the population” and invited governments to “Pursue further liberalization in the environmental services sector in the framework of the forthcoming GATS’s negotiations, in recognition of its...” win-win potential. We would also note that APEC Ministers have agreed that the elimination of tariffs on environmental goods should be a high priority in the work of the WTO.